

7/7/2010

Rhody Health Partners
Proposed 9/1/2010 - 6/30/2011 Capitation Rates
WITH ARTICLE 20
As Enacted

Rhody Health Partners
9/1/2010 - 6/30/2011

Average Eligible Members

Program Population	7/04 - 6/05	7/05 - 6/06	7/06 - 6/07	7/07 - 6/08	7/08 - 6/09	Jan-10
MR Waiver	614	643	682	722	738	732
SPMI	1,942	2,071	2,189	2,248	1,935	1,400
Other Disabled 21-44	4,985	4,908	4,628	4,226	4,128	3,857
<u>Other Disabled 45+</u>	<u>7,025</u>	<u>7,208</u>	<u>7,301</u>	<u>7,012</u>	<u>6,672</u>	<u>6,428</u>
Total	14,566	14,830	14,800	14,208	13,474	12,417

Eligible members represent "Target" population and include Connect Care Choice (eff. 9/1/07), Rhody Health Partners (eff. 4/1/08) Except Jan-10, which represent actual enrolled (Dec '09 payments for Jan '10)

Rhody Health Partners 9/1/2010 - 6/30/2011

FFS & Encounter Claims Experience PMPM & Trends

Incurred State Fiscal Year (SFY), Paid through September 2009, estimated 100%

<u>Incurred Periods</u>	MR Waiver			SPMI			Other Disabled Total		
	<u>Medical</u>	<u>Rx-Net</u>	<u>Total</u>	<u>Medical</u>	<u>Rx-Net</u>	<u>Total</u>	<u>Medical</u>	<u>Rx-Net</u>	<u>Total</u>
<u>Year-over-Year Trends</u>									
SFY '06 over SFY '05	26.6%	8.5%	18.4%	2.7%	9.7%	4.6%	0.4%	5.9%	1.6%
SFY '07 over SFY '06	14.7%	-4.3%	6.7%	-16.8%	-7.0%	-14.0%	6.4%	-4.9%	3.9%
SFY '08 over SFY '07	-6.8%	4.1%	-2.7%	17.1%	1.7%	12.3%	6.1%	0.3%	4.9%
SFY '09 over SFY '08	11.0%	4.0%	8.2%	-7.0%	12.7%	-1.4%	23.0%	34.6%	25.3%
<u>Multi-Year Trends</u>									
SFY '09 over SFY '05	10.7%	3.0%	7.4%	-1.8%	4.0%	-0.1%	8.7%	8.0%	8.5%
SFY '09 over SFY '06	5.9%	1.2%	4.0%	-3.2%	2.1%	-1.6%	11.6%	8.7%	10.9%
SFY '09 over SFY '07	1.7%	4.1%	2.6%	4.4%	7.0%	5.2%	14.2%	16.2%	14.6%
SFY '08 over SFY '06	3.4%	-0.2%	1.9%	-1.3%	-2.8%	-1.7%	6.3%	-2.3%	4.4%
Blended Trends ²							10.2%	6.9%	
Selected Trends ³	8.1%	5.0%		3.5%	5.0%		10.2%	6.9%	

² The Blended trends are as follows:

Medical: Credibility weighted average of the 2-year indicated trends for SFY '08 over SFY '06 and SFY '09 over SFY '07 at 50% and 50%, respectively

Pharmacy: Credibility weighted average of the 2-year indicated trends for SFY '08 over SFY '06 and SFY '09 over SFY '07 at 50% and 50%, respectively

³ The selected trends are as follows:

Medical: MR Waiver & SPMI - credibility weighted average of the SFY '09 over SFY '06 trend of the respective cohort and the selected trend for Other Disabled at 50%/50%, respectively; for Other Disabled, the blended trend as indicated

Pharmacy: 5% for MR Waiver and SPMI given the relatively flat historical trends and a moderate spike in the latest year in these programs; for Other Disabled, the blended trend as indicated

Rhody Health Partners 9/1/2010 - 6/30/2011

FFS & Encounter Claims Experience PMPM & Trends

Incurred State Fiscal Year (SFY), Paid through September 2009, estimated 100%

<u>Incurred Periods</u>	<u>MR Waiver</u>			<u>SPMI</u>			<u>Other Disabled Total</u>		
	<u>Medical</u>	<u>Rx-Net</u>	<u>Total</u>	<u>Medical</u>	<u>Rx-Net</u>	<u>Total</u>	<u>Medical</u>	<u>Rx-Net</u>	<u>Total</u>
7/1/04 - 6/30/05	\$ 291.35	\$ 243.28	\$534.64	\$ 977.29	\$ 368.57	\$ 1,345.86	\$ 573.65	\$ 160.50	\$ 734.15
7/1/05 - 6/30/06	\$ 368.84	\$ 264.08	\$632.92	\$ 1,003.45	\$ 404.20	\$ 1,407.65	\$ 575.77	\$ 170.05	\$ 745.82
7/1/06 - 6/30/07	\$ 422.92	\$ 252.67	\$675.59	\$ 834.74	\$ 376.02	\$ 1,210.76	\$ 612.80	\$ 161.75	\$ 774.55
7/1/07 - 6/30/08	\$ 394.22	\$ 263.08	\$657.30	\$ 977.44	\$ 382.24	\$ 1,359.68	\$ 650.23	\$ 162.27	\$ 812.51
7/1/08 - 6/30/09	\$ 437.71	\$ 273.70	\$711.40	\$ 909.41	\$ 430.82	\$ 1,340.23	\$ 799.47	\$ 218.41	\$ 1,017.89
Selected Base Period ¹	\$ 434.24	\$ 273.70		\$ 940.08	\$ 430.82		<u>Other Disabled 21-44</u>		
SFY '08 --> SFY '09	\$ 426.15			\$ 1,011.65			\$ 628.89	\$ 168.40	
							<u>Other Disabled 45+</u>		
							\$ 850.46	\$ 251.08	

Claims expenses include experience from certain managed care populations - Connect Care Choice (eff. 9/1/07)

¹ The selected Base Periods are as follows:

Medical: Credibility weighted average of SFY '08 projected to SFY '09 & SFY '09 at 30% & 70% respectively

Pharmacy: All population cohorts - 7/1/08-6/30/09 @ 100%

Rhody Health Partners
9/1/2010 - 6/30/2011

Experience Period 7/1/08 - 6/30/09	MR Waiver		SPMI		Other Disabled 21-44		Other Disabled 45+	
Average Members	738		1,935		4,128		6,672	
Total PMPM (including Rx rebates)	\$ 711.40		\$ 1,340.23		\$ 808.55		\$ 1,129.29	
<u>Care component affected by managed care initiatives:</u>								
Inpatient - General	\$ 77.86		\$ 104.25		\$ 132.63		\$ 229.66	
Inpatient - Specialty	\$ 70.92		\$ 63.85		\$ 87.11		\$ 123.36	
Inpatient - Behavioral	\$ 46.95		\$ 356.56		\$ 61.83		\$ 56.98	
Outpatient ER - Facility	\$ 29.67		\$ 105.72		\$ 80.44		\$ 68.33	
Outpatient ER - Professional	\$ 3.49		\$ 12.42		\$ 9.05		\$ 8.10	
Procedures - Outpatient	\$ 17.89		\$ 32.63		\$ 54.77		\$ 106.88	
Procedures - Professional	\$ 6.30		\$ 16.34		\$ 25.53		\$ 38.55	
Lab/Rad - Outpatient	\$ 13.85		\$ 32.61		\$ 36.92		\$ 54.53	
Professional PCP	\$ 8.19		\$ 16.80		\$ 17.57		\$ 23.09	
Professional Specialty	\$ 16.01		\$ 32.00		\$ 23.96		\$ 38.25	
Behavioral Health (BH) - Outpatient	\$ 0.05		\$ 3.38		\$ 2.89		\$ 2.45	
Behavioral Health (BH) - Professional	\$ 12.11		\$ 55.23		\$ 21.89		\$ 16.10	
Nursing Home	\$ -		\$ 2.53		\$ 1.19		\$ 4.81	
Other Professional	\$ 103.28		\$ 37.21		\$ 29.38		\$ 43.65	
Pharmacy (including Rebates)	\$ 273.70		\$ 430.82		\$ 168.40		\$ 251.08	
Total of care components affected by managed care initiatives	\$ 680.27		\$ 1,302.32		\$ 753.58		\$ 1,065.82	
Total of care components NOT affected by managed care initiatives	\$ 31.13		\$ 37.91		\$ 54.97		\$ 63.47	
Total Medical and Rx PMPM (including Rx rebates)	\$ 711.40		\$ 1,340.23		\$ 808.55		\$ 1,129.29	
<u>Managed Care Savings : Adjustment Factors ¹</u>								
Inpatient - General	0.93		0.83		0.93		0.93	
Inpatient - Specialty	0.98		0.98		0.98		0.98	
Inpatient - Behavioral	0.83		0.83		0.83		0.83	
Outpatient ER - Facility	0.83		0.53		0.78		0.78	
Outpatient ER - Professional	0.83		0.53		0.78		0.78	
Procedures - Outpatient	0.98		0.98		0.98		0.98	
Procedures - Professional	0.98		0.98		0.98		0.98	
Lab/Rad - Outpatient	0.88		0.88		0.88		0.88	
Professional PCP	1.13		1.13		1.13		1.13	
Professional Specialty	0.98		0.98		0.98		0.98	
Behavioral Health (BH) - Outpatient	0.88		0.93		0.88		0.88	
Behavioral Health (BH) - Professional	0.88		0.98		0.88		0.88	
Nursing Home	0.93		0.93		0.93		0.93	
Other Professional	0.93		0.93		0.93		0.93	
Pharmacy	0.90		0.90		0.90		0.90	
Medical Managed Care Savings	\$ 30.58	7.0%	\$ 142.61	15.7%	\$ 50.57	7.9%	\$ 57.88	6.6%
Pharmacy Managed Care Savings	27.37	10.0%	43.08	10.0%	16.84	10.0%	25.11	10.0%
Total Managed Care Savings	57.95	8.1%	185.69	13.9%	67.41	8.3%	82.99	7.3%
Adjustment for populations already in Managed Care ²	0.93		0.81		0.61		0.62	
Medical Managed Care Savings	\$ 28.34	6.5%	\$ 115.83	12.7%	\$ 31.00	4.8%	\$ 36.10	4.1%
Pharmacy Managed Care Savings	\$ 25.37	9.3%	\$ 34.99	8.1%	\$ 10.32	6.1%	\$ 15.66	6.2%
Total Managed Care Savings	\$ 53.71	7.5%	\$ 150.83	11.3%	\$ 41.33	5.1%	\$ 51.76	4.6%

¹ Managed care savings adjustment factors developed by Donlon & Associates, Inc.

² Adjustment to reduce the Managed Care Savings assumption to account for currently enrolled members in the base period which presumably already reflect some portion of the managed care savings in their experience (estimated at 50%). Thus, the managed care savings assumptions apply fully to the "not enrolled" target populations and partially to the currently "enrolled" populations

Rhody Health Partners
9/1/2010 - 6/30/2011
Impact of Article 20

	MR Waiver	SPMI	Other Disabled 21-44	Other Disabled 45+
<u>Inpatient - Mgd. Care & FFS Combined</u>				
Percent Savings to Total Rhody Health Partners Medical	-3.6%	-4.7%	-3.9%	-3.7%
Forecasted PMPM for Rate Period	\$ 510.74	\$ 1,009.93	\$ 770.58	\$ 1,042.07
Estimated Inpatient Savings PMPM on Forecasted PMPM	\$ (18.15)	\$ (47.66)	\$ (29.71)	\$ (39.05)
<u>Outpatient - Mgd. Care Only</u> ¹				
Percent Savings to Total Rhody Health Partners Medical	-0.39%	-0.46%	-0.66%	-0.64%
Forecasted PMPM for Rate Period	\$ 510.74	\$ 1,009.93	\$ 770.58	\$ 1,042.07
Estimated Inpatient Savings PMPM on Forecasted PMPM	\$ (1.97)	\$ (4.63)	\$ (5.05)	\$ (6.63)

¹ Outpatient savings is limited to the managed care "enrolled" population since FFS was used as a proxy for the impact of Article 20 on outpatient

Rhody Health Partners
9/1/2010 - 6/30/2011
Selective Contracting

	With Article 20			
	MR Waiver	SPMI	Other Disabled 44	Other Disabled 45+
Percent Savings from Selective Contracting to Total Rhody Health Partners	-0.13%	-0.17%	-0.35%	-0.33%
Forecasted Medical PMPM Rhody Health Partners for Rate Period (incl. Article 20)	\$ 490.62	\$ 957.64	\$ 735.82	\$ 996.39
Estimated Selective Contracting Savings PMPM on Forecasted PMPM	\$ (0.64)	\$ (1.61)	\$ (2.58)	\$ (3.24)

Rhody Health Partners
9/1/2010 - 6/30/2011
Smoking Cessation

Smoking Cessation prescription experience on Rite Care	PMPM			
15-44 Age Group	\$	0.22		
45+ Age Group	\$	0.34		
			Other Disabled 21-44	Other Disabled 45+
	MR Waiver	SPMI		
Rhody Health Partners Enrollment at 1/1/2010				
21-44 Age Group	326	1,142	3,857	-
<u>45+ Age Group</u>	<u>406</u>	<u>258</u>	<u>-</u>	<u>6,428</u>
Total	732	1,400	3,857	6,428
Average Rhody Health Partners PMPM based on Rite Care experience	\$ 0.29	\$ 0.25	\$ 0.22	\$ 0.34
Risk Factor to account for unknown risk for this population	2.0	2.0	2.0	2.0
Risk-Adjusted Rhody Health Partners Smoking Cessation Rx PMPM	\$ 0.57	\$ 0.49	\$ 0.45	\$ 0.67

Rhody Health Partners
9/1/2010 - 6/30/2011
Pharmacy Lock-In

	MR Waiver	SPMI	Other Disabled 21-44	Other Disabled 45+
Percent Savings from Rx Lock-In to Total Rhody Health Partners Rx	-0.05%	-0.24%	-0.45%	-0.38%
Forecasted Rhody Health Partners Rx PMPM for Rate Period	\$ 302.98	\$ 476.92	\$ 193.68	\$ 288.78
Estimated Pharmacy Lock-In Savings PMPM on Forecasted PMPM	\$ (0.14)	\$ (1.14)	\$ (0.88)	\$ (1.09)

Rhody Health Partners
9/1/2010 - 6/30/2011
Generic Drugs First

	MR Waiver	SPMI	Other Disabled 21-44	Other Disabled 45+
<u>Rhody Health Partners Rx Experience for SFY 2009</u>				
Non-Exempt Brand cost/scrip	\$ 198.32	\$ 170.17	\$ 207.68	\$ 171.56
<u>Non-Exempt Generic cost/scrip</u>	<u>\$ 36.65</u>	<u>\$ 31.96</u>	<u>\$ 25.67</u>	<u>\$ 20.74</u>
Percent Savings from Generic	-82%	-81%	-88%	-88%
Percent Non-Exempt Brand to Total Non-Exempt	51%	48%	57%	61%
Percent Non-Exempt to Total Rx	66%	42%	47%	55%
Percent Savings to Total Rx	-27.3%	-16.1%	-23.6%	-29.3%
Credibility Adjustment for Startup and Medically Necessary Exemptions	25%	25%	25%	25%
Credibility Adjusted Generic Drugs First Initiative Savings to Rx	-6.8%	-4.0%	-5.9%	-7.3%
Forecasted Rhody Health Partners Rx PMPM for Rate Period	\$ 302.98	\$ 476.92	\$ 193.68	\$ 288.78
Estimated Generic Drugs First Savings PMPM on Forecasted PMPM	<u>\$ (20.64)</u>	<u>\$ (19.22)</u>	<u>\$ (11.41)</u>	<u>\$ (21.13)</u>

Rhody Health Partners
9/1/2010 - 6/30/2011
Communities of Care

	With Article 20			
	MR Waiver	SPMI	Other Disabled 21- 44	Other Disabled 45+
Forecasted PMPM for Rate Period ¹	\$ 777.38	\$ 1,420.98	\$ 920.22	\$ 1,267.43
Percent Communities of Care Savings to Total Rhody Health Partners	-0.46%	-1.15%	-0.84%	-0.64%
Estimated Communities of Care Savings PMPM on Forecasted PMPM	\$ (3.55)	\$ (16.37)	\$ (7.77)	\$ (8.08)
Percent Communities of Care Related Admin to Total Rhody Health Partners	0.28%	0.71%	0.52%	0.39%
Estimated Communities of Care Admin PMPM on Forecasted PMPM	\$ 2.19	\$ 10.08	\$ 4.79	\$ 4.98

¹ Forecasted PMPM used for estimating the impact of Communities of Care includes all program changes and initiatives except Selective Contracting and Fraud & Abuse

Rhody Health Partners
9/1/2010 - 6/30/2011
Capitation Rates

RHP Population Cohort	January 2010 Enrollment	Medical Component of Capitation Rates	Admin Component of Capitation Rates	2% Premium Tax	PMPM Capitation Rates With Article 20
MR Waiver	732	\$ 732.87	\$ 48.80	\$ 15.95	\$ 797.62
SPMI	1,400	\$ 1,267.21	\$ 86.07	\$ 27.62	\$ 1,380.89
Other Disabled 21-44	3,857	\$ 874.84	\$ 56.54	\$ 19.01	\$ 950.39
Other Disabled 45+	6,428	\$ 1,214.27	\$ 61.86	\$ 26.04	\$ 1,302.17